

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Yankee Springs	County Barry
Fiscal Year End June 30, 2007	Opinion Date November 7, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

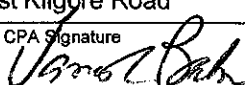
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	N/A	
Other (Describe) SAS 112 Letter	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall, PC		Telephone Number (269)381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 	Printed Name James C. Baker	License Number 1101010743	

Township of Yankee Springs
Barry County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT

**Township Board
Township of Yankee Springs, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2007, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Yankee Springs, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 21 to 24 is not required parts of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Yankee Springs, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.



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Township Board
Township of Yankee Springs, Michigan
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Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Yankee Springs, Michigan's basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Township of Yankee Springs, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Sigfried Crandall P.C.

November 7, 2007

BASIC FINANCIAL STATEMENTS

Township of Yankee Springs
STATEMENT OF NET ASSETS
June 30, 2007

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Totals</u>
ASSETS			
Current assets:			
Cash	\$ 1,269,743	\$ 266,341	\$ 1,536,084
Receivables	116,535	34,996	151,531
Prepaid expenses	12,916	-	12,916
Total current assets	<u>1,399,194</u>	<u>301,337</u>	<u>1,700,531</u>
Noncurrent assets:			
Receivables	4,943	-	4,943
Capital assets not being depreciated	69,109	35,000	104,109
Capital assets (net of depreciation)	<u>837,221</u>	<u>1,931,973</u>	<u>2,769,194</u>
Total noncurrent assets	<u>911,273</u>	<u>1,966,973</u>	<u>2,878,246</u>
Total assets	<u>2,310,467</u>	<u>2,268,310</u>	<u>4,578,777</u>
LIABILITIES			
Current liabilities:			
Accounts payable	40,939	13,709	54,648
Current portion of contract payable	-	25,000	25,000
	40,939	38,709	79,648
Noncurrent liabilities - contract payable	-	1,033,281	1,033,281
Total liabilities	<u>40,939</u>	<u>1,071,990</u>	<u>1,112,929</u>
NET ASSETS			
Invested in capital assets, net of related debt	906,330	908,692	1,815,022
Restricted - acquisition of fire equipment	382,481	-	382,481
Unrestricted	<u>980,717</u>	<u>287,628</u>	<u>1,268,345</u>
Total net assets	<u>\$ 2,269,528</u>	<u>\$ 1,196,320</u>	<u>\$ 3,465,848</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF ACTIVITIES
Year ended June 30, 2007

		<u>Program revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
	<u>Expenses</u>	<u>services</u>	<u>grants and</u>	<u>grants and</u>
			<u>contributions</u>	<u>contributions</u>
Functions/Programs				
Primary government:				
Governmental activities:				
Legislative	\$ 9,053	\$ -	\$ -	\$ -
General government	279,709	11,498	-	13,584
Public safety	182,886	42,745	-	-
Public works	88,211	73,313	5,613	-
Community and economic development	68,944	12,030	-	-
Culture and recreation	<u>11,729</u>	<u>-</u>	<u>-</u>	<u>2,000</u>
Total governmental activities	640,532	139,586	5,613	15,584
Business-type activities - water	<u>94,669</u>	<u>111,344</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 735,201</u>	<u>\$ 250,930</u>	<u>\$ 5,613</u>	<u>\$ 15,584</u>
General revenues:				
Property taxes				
State shared revenue				
Franchise fees				
Unrestricted investment return				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

<i>Net (expenses) revenues and changes in net assets</i>		
<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
\$ (9,053)		\$ (9,053)
(254,627)		(254,627)
(140,141)		(140,141)
(9,285)		(9,285)
(56,914)		(56,914)
<u>(9,729)</u>		<u>(9,729)</u>
(479,749)		(479,749)
<u>-</u>	<u>\$ 16,675</u>	<u>16,675</u>
<u>(479,749)</u>	<u>16,675</u>	<u>(463,074)</u>
280,605	-	280,605
283,666	-	283,666
25,395	-	25,395
<u>40,735</u>	<u>8,900</u>	<u>49,635</u>
<u>630,401</u>	<u>8,900</u>	<u>639,301</u>
150,652	25,575	176,227
<u>2,118,876</u>	<u>1,170,745</u>	<u>3,289,621</u>
<u>\$ 2,269,528</u>	<u>\$ 1,196,320</u>	<u>\$ 3,465,848</u>

See notes to financial statements

Township of Yankee Springs
BALANCE SHEET - governmental funds
June 30, 2007

	<u>General</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>
ASSETS			
Cash	\$ 726,245	\$ 383,807	\$ 100,348
Receivables	<u>111,491</u>	<u>100</u>	<u>9,887</u>
Total assets	<u>\$ 837,736</u>	<u>\$ 383,907</u>	<u>\$ 110,235</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 25,978	\$ 1,426	\$ 13,535
Deferred revenue	<u>-</u>	<u>-</u>	<u>9,887</u>
Total liabilities	<u>25,978</u>	<u>1,426</u>	<u>23,422</u>
Fund balances:			
Unreserved	811,758	382,481	86,813
Unreserved reported in nonmajor - special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>811,758</u>	<u>382,481</u>	<u>86,813</u>
Total liabilities and fund balances	<u>\$ 837,736</u>	<u>\$ 383,907</u>	<u>\$ 110,235</u>

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Total fund balances

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 59,343	\$ 1,269,743
<u>-</u>	<u>121,478</u>
\$ 59,343	\$ 1,391,221
\$ -	\$ 40,939
<u>-</u>	<u>9,887</u>
<u>-</u>	<u>50,826</u>
-	1,281,052
<u>59,343</u>	<u>59,343</u>
<u>59,343</u>	<u>1,340,395</u>
\$ 59,343	\$ 1,391,221
	\$ 1,340,395
	906,330
	9,887
	<u>12,916</u>
	<u>\$ 2,269,528</u>

See notes to financial statements

Township of Yankee Springs**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended June 30, 2007

	<u>General</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>
REVENUES			
Taxes	\$ 287,650	\$ -	\$ -
State grants	289,279	-	-
Licenses and permits	66,371	-	-
Charges for services	12,485	-	-
Interest and rentals	29,085	10,690	-
Other	2,648	-	83,950
	<u>687,518</u>	<u>10,690</u>	<u>83,950</u>
Total revenues	<u>687,518</u>	<u>10,690</u>	<u>83,950</u>
EXPENDITURES			
Legislative	9,053	-	-
General government	269,792	-	-
Public safety	125,701	-	-
Public works	28,626	-	59,585
Community and economic development	68,944	-	-
Culture and recreation	-	-	-
Capital outlay	1,672	35,537	-
	<u>503,788</u>	<u>35,537</u>	<u>59,585</u>
Total expenditures	<u>503,788</u>	<u>35,537</u>	<u>59,585</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>183,730</u>	<u>(24,847)</u>	<u>24,365</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	40,000	-
Transfers out	(74,000)	-	-
	<u>(74,000)</u>	<u>40,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(74,000)</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	109,730	15,153	24,365
FUND BALANCES - BEGINNING	<u>702,028</u>	<u>367,328</u>	<u>62,448</u>
FUND BALANCES - ENDING	<u>\$ 811,758</u>	<u>\$ 382,481</u>	<u>\$ 86,813</u>

<i>Nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 287,650
27,000	316,279
1,769	68,140
-	12,485
-	39,775
2,000	88,598
<u>30,769</u>	<u>812,927</u>
-	9,053
-	269,792
1,781	127,482
-	88,211
-	68,944
7,910	7,910
-	37,209
<u>9,691</u>	<u>608,601</u>
<u>21,078</u>	<u>204,326</u>
34,000	74,000
-	(74,000)
<u>34,000</u>	<u>-</u>
55,078	204,326
<u>4,265</u>	<u>1,136,069</u>
<u>\$ 59,343</u>	<u>\$ 1,340,395</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)
Year ended June 30, 2007

	<u>Total governmental funds</u>
Net change in fund balances - total governmental funds (page 8)	\$ 204,326
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Capital assets:	
Assets acquired	49,084
Provision for depreciation	(61,837)
Changes in other assets/liabilities:	
Prepaid expense	(284)
Deferred revenue	<u>(40,637)</u>
Change in net assets of <i>governmental activities</i>	<u><u>\$ 150,652</u></u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF NET ASSETS - proprietary fund
June 30, 2007

	<u>Water</u>
ASSETS	
Current assets:	
Cash	\$ 266,341
Accounts receivable	<u>34,996</u>
Total current assets	<u>301,337</u>
Noncurrent assets:	
Capital assets not being depreciated	35,000
Capital assets (net of depreciation)	<u>1,931,973</u>
Total noncurrent assets	<u>1,966,973</u>
Total assets	<u>2,268,310</u>
LIABILITIES	
Current liabilities:	
Accounts payable	13,709
Current portion of contract payable	<u>25,000</u>
Total current liabilities	38,709
Noncurrent liabilities - contract payable	<u>1,033,281</u>
Total liabilities	<u>1,071,990</u>
NET ASSETS	
Invested in capital assets, net of related debt	908,692
Unrestricted	<u>287,628</u>
Total net assets	<u>\$ 1,196,320</u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND
NET ASSETS - *proprietary fund*
Year ended June 30, 2007

	<u><i>Water</i></u>
OPERATING REVENUES	
Charge for services	\$ 111,344
OPERATING EXPENSES	
Public works	43,100
Depreciation	<u>34,124</u>
Total operating expenses	<u>77,224</u>
OPERATING INCOME	<u>34,120</u>
NONOPERATING REVENUES (EXPENSES)	
Investment return	8,900
Interest expense	<u>(17,445)</u>
Total nonoperating expenses	<u>(8,545)</u>
CHANGE IN NET ASSETS	25,575
NET ASSETS - BEGINNING	<u>1,170,745</u>
NET ASSETS - ENDING	<u><u>\$ 1,196,320</u></u>

See notes to financial statements

Township of Yankee Springs
STATEMENT OF CASH FLOWS - proprietary fund
Year ended June 30, 2007

	<u>Water</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 104,924
Payments to suppliers	<u>(48,877)</u>
Net cash provided by operating activities	<u>56,047</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from contracts payable	465,000
Principal payment on contract payable	(25,000)
Acquisition of capital assets	(509,438)
Interest payments on contract payable	<u>(15,145)</u>
Net cash used in capital and related financing activities	<u>(84,583)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment return	<u>10,600</u>
NET DECREASE IN CASH	(17,936)
CASH - BEGINNING	<u>284,277</u>
CASH - ENDING	<u><u>\$ 266,341</u></u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 34,120
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	34,124
Changes in assets and liabilities:	
Receivables, net	(6,420)
Accounts payable	<u>(5,777)</u>
Net cash provided by operating activities	<u><u>\$ 56,047</u></u>

See notes to financial statements

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Yankee Springs, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

a) Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. The Township has determined that no outside agency meets the above criteria and, therefore, no outside agency has been included as a blended or discretely-presented component unit in the Township's financial statements.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary fund, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers property tax revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire Equipment Fund accounts for the financial resources used for the purchase of fire apparatus. Revenues are primarily derived from property taxes.

The Revolving Improvement Fund Accounts for the financial resources used for purchases of services and capital improvements. Revenues are derived from special assessments.

The Township reports the following major proprietary fund:

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of

the proprietary fund relate to charges to customers for sales and services. Operating expenses for proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., streets and sidewalks), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets, other than infrastructure, with an initial cost of more than \$1,000, and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The Township has the option of accounting for infrastructure assets retroactively. June 30, 1980, or prospectively beginning July 1, 2003. The Township has elected to account for infrastructure assets on the prospective basis. The Township includes shared road costs in its infrastructure. These costs represent the Township's portion of public road improvements for road within the Township, which are owned by the County of Barry.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	5 - 15 years
Water systems	50 - 75 years

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity (continued):

v) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vi) Property tax recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the District. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the Township Board is the functional level.

Excess of expenditures over appropriations in budgetary funds - P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Township's significant budgetary violations are as follows:

<u>Fund</u>	<u>Function</u>	<u>Total appropriation</u>	<u>Actual expenditures</u>	<u>Variance</u>
Other governmental	Public works	\$ 41,850	\$ 59,585	\$ (17,735)

NOTE 3 - DEPOSITS:

The Township's deposits, as shown in the government-wide statement of net assets are as follows:

	<u>Governmental activities</u>	<u>Business- type activities</u>	<u>Totals</u>
Cash	\$ 1,269,743	\$ 266,341	\$ 1,536,084

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At June 30, 2007, the Township has deposits with a carrying amount of \$1,536,084 and a bank balance of \$1,544,786.

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance. At June 30, 2007, \$590,623 of the Township's bank balances of \$1,544,786 was exposed to custodial credit risk because it was uninsured. The Township believes

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - DEPOSITS (Continued):

that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

NOTE 4 - RECEIVABLES:

Receivables at June 30, 2007, for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

	<u>Governmental funds</u>			<u>Proprietary fund</u>	
	<u>General</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>	<u>Water</u>	<u>Totals</u>
Accounts	\$ 18,059	\$ -	\$ -	\$ 34,996	\$ 53,055
Special assessments	-	-	9,887	-	9,887
Intergovernmental	91,232	-	-	-	91,232
Interest	2,200	100	-	-	2,300
Totals	<u>\$ 111,491</u>	<u>\$ 100</u>	<u>\$ 9,887</u>	<u>\$ 34,996</u>	<u>\$ 156,474</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,943</u>	<u>\$ -</u>	<u>\$ 4,943</u>

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 69,109	\$ -	\$ -	\$ 69,109
Capital assets being depreciated:				
Buildings and improvements	459,269	-	-	459,269
Equipment	194,643	49,084	-	243,727
Vehicles	541,434	-	-	541,434
Subtotal	<u>1,195,346</u>	<u>49,084</u>	<u>-</u>	<u>1,244,430</u>
Less accumulated depreciation for:				
Buildings and improvements	(119,707)	(12,625)	-	(132,332)
Equipment	(117,791)	(14,600)	-	(132,391)
Vehicles	(107,874)	(34,612)	-	(142,486)
Subtotal	<u>(345,372)</u>	<u>(61,837)</u>	<u>-</u>	<u>(407,209)</u>
Total capital assets being depreciated, net	<u>849,974</u>	<u>(12,753)</u>	<u>-</u>	<u>837,221</u>
Governmental activities capital assets, net	<u>\$ 919,083</u>	<u>\$ (12,753)</u>	<u>\$ -</u>	<u>\$ 906,330</u>

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS (Continued):

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated - land	\$ 35,000	\$ -	\$ -	\$ 35,000
Capital assets being depreciated - water system	1,693,950	509,438	-	2,203,388
Less accumulated depreciation for - water system	<u>237,291</u>	<u>34,124</u>	<u>-</u>	<u>271,415</u>
Total capital assets being depreciated, net	<u>1,456,659</u>	<u>475,314</u>	<u>-</u>	<u>1,931,973</u>
Business-type activities capital assets, net	<u>\$ 1,491,659</u>	<u>\$ 475,314</u>	<u>\$ -</u>	<u>\$ 1,966,973</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 7,961
Public safety	50,272
Recreation and culture	<u>3,604</u>
Total governmental activities	<u>\$ 61,837</u>

NOTE 6 - PAYABLES:

	<u>Governmental funds</u>			<u>Proprietary fund</u>	
	<u>General</u>	<u>Fire Equipment</u>	<u>Revolving Improvement</u>	<u>Water</u>	<u>Total</u>
Accounts	\$ 21,782	\$ 1,426	\$ 13,535	\$ 7,509	\$ 44,252
Deposits	4,196	-	-	-	4,196
Interest	-	-	-	6,200	6,200
	<u>\$ 25,978</u>	<u>\$ 1,426</u>	<u>\$ 13,535</u>	<u>\$ 13,709</u>	<u>\$ 54,648</u>

NOTE 7 - NONCURRENT LIABILITIES:

Business-type activities:	
2003 Barry County Water Supply System contract payable - payable in annual installments ranging from \$25,000 to \$40,000, plus interest at 2.5%; final payment due October 2025.	\$ 593,281
2007 Barry County Water Supply System contract payable - payable in annual installments ranging from \$15,000 to \$30,000, plus interest at 2.125%; final payment due October 2028.	<u>465,000</u>
Total	<u>\$ 1,058,281</u>

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - NONCURRENT LIABILITIES (Continued):

The Township has pledged its full faith and credit for repayment of this obligation.

Noncurrent liability activity for the year ended June 30, 2007, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Business-type activities:					
2003 water contract	\$ 618,281	\$ -	\$ (25,000)	\$ 593,281	\$ 25,000
2007 water contract	-	465,000	-	465,000	-
Total business-type activities	<u>\$ 618,281</u>	<u>\$ 465,000</u>	<u>\$ (25,000)</u>	<u>\$ 1,058,281</u>	<u>\$ 25,000</u>

At June 30, 2007, debt service requirements were as follows:

	<u>Principal</u>	<u>Interest</u>
Business-type activities:		
Year ended June 30:		
2008	\$ 25,000	\$ 24,457
2009	40,000	23,616
2010	45,000	22,610
2011	45,000	21,542
2012	50,000	20,420
2013 - 2017	260,000	84,225
2018 - 2022	305,000	50,895
2023 - 2028	<u>288,281</u>	<u>15,503</u>
Totals	<u>\$ 1,058,281</u>	<u>\$ 263,268</u>

NOTE 8 - INTERFUND:

A summary of interfund transfers for the year ended June 30, 2007, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Fire Equipment	\$ 40,000	General	\$ <u>74,000</u>
Nonmajor governmental funds	<u>34,000</u>		
	<u>\$ 74,000</u>		

In 2007, transfers were made for cash flow assistance from the General Fund to the Fire Equipment Fund and the Park Land Development Fund.

Township of Yankee Springs
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - RISK MANAGEMENT:

The Township is exposed to various risks of loss to general liability, property and casualty, and workers' compensation.

The risks of loss arising from general liability up to \$5,000,000, building contents, workers' compensation, and casualty are managed through purchased commercial insurance.

NOTE 10 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended June 30, 2007, follows:

Revenues	\$ 40,976
Expenses	<u>(40,976)</u>
Excess of revenues over expenses	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 283,053	\$ 283,053	\$ 287,650	\$ 4,597
State grants	298,441	298,441	289,279	(9,162)
Licenses and permits	65,000	75,000	66,371	(8,629)
Charges for services	15,700	15,700	12,485	(3,215)
Interest and rentals	22,800	25,400	29,085	3,685
Other	5,350	800	2,648	1,848
Total revenues	<u>690,344</u>	<u>698,394</u>	<u>687,518</u>	<u>(10,876)</u>
EXPENDITURES				
Legislative - Township Board	<u>10,205</u>	<u>9,936</u>	<u>9,053</u>	<u>883</u>
General government:				
Supervisor	29,489	28,228	27,814	414
Elections	18,201	14,787	9,797	4,990
Assessor	40,340	39,035	37,355	1,680
Clerk	33,523	32,674	31,573	1,101
Board of review	2,843	2,986	1,255	1,731
Treasurer	35,539	33,917	32,925	992
Township hall	118,103	113,919	93,558	20,361
Cemetery	16,908	15,497	11,297	4,200
Administration	<u>55,700</u>	<u>40,920</u>	<u>24,218</u>	<u>16,702</u>
Total general government	<u>350,646</u>	<u>321,963</u>	<u>269,792</u>	<u>52,171</u>
Public safety:				
Fire department	115,540	109,765	84,725	25,040
Inspections department	<u>55,000</u>	<u>55,000</u>	<u>40,976</u>	<u>14,024</u>
Total public safety	<u>170,540</u>	<u>164,765</u>	<u>125,701</u>	<u>39,064</u>
Public works:				
Utilities	9,000	5,000	2,472	2,528
Roads	<u>88,074</u>	<u>32,958</u>	<u>26,154</u>	<u>6,804</u>
Total public works	<u>97,074</u>	<u>37,958</u>	<u>28,626</u>	<u>9,332</u>

Township of Yankee Springs**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development:				
Planning commission	\$ 35,627	\$ 42,397	\$ 36,726	\$ 5,671
Zoning	<u>41,630</u>	<u>33,788</u>	<u>32,218</u>	<u>1,570</u>
Total community and economic development	<u>77,257</u>	<u>76,185</u>	<u>68,944</u>	<u>7,241</u>
Capital outlay	<u>176,000</u>	<u>106,000</u>	<u>1,672</u>	<u>104,328</u>
Total expenditures	<u>881,722</u>	<u>716,807</u>	<u>503,788</u>	<u>213,019</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(191,378)	(18,413)	183,730	202,143
OTHER FINANCING USES				
Transfers out	<u>(120,000)</u>	<u>(110,000)</u>	<u>(74,000)</u>	<u>36,000</u>
NET CHANGE IN FUND BALANCES	(311,378)	(128,413)	109,730	238,143
FUND BALANCES - BEGINNING	<u>566,176</u>	<u>468,713</u>	<u>702,028</u>	<u>233,315</u>
FUND BALANCES - ENDING	<u>\$ 254,798</u>	<u>\$ 340,300</u>	<u>\$ 811,758</u>	<u>\$ 471,458</u>

Township of Yankee Springs
BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund
Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Interest	\$ 12,450	\$ 10,800	\$ 10,690	\$ (110)
EXPENDITURES				
Capital outlay	<u>-</u>	<u>35,000</u>	<u>35,537</u>	<u>(537)</u>
Total expenditures	<u>-</u>	<u>35,000</u>	<u>35,537</u>	<u>(537)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>12,450</u>	<u>(24,200)</u>	<u>(24,847)</u>	<u>(647)</u>
OTHER FINANCING SOURCES				
Transfer in - General Fund	<u>50,000</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	62,450	15,800	15,153	(647)
FUND BALANCES - BEGINNING	<u>353,542</u>	<u>353,542</u>	<u>367,328</u>	<u>13,786</u>
FUND BALANCES - ENDING	<u>\$ 415,992</u>	<u>\$ 369,342</u>	<u>\$ 382,481</u>	<u>\$ 13,139</u>

Township of Yankee Springs**BUDGETARY COMPARISON SCHEDULE - Revolving Improvement Fund**

Year ended June 30, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Other - special assessments	\$ -	\$ 41,850	\$ 83,950	\$ 42,100
EXPENDITURES				
Public works	<u>-</u>	<u>41,850</u>	<u>59,585</u>	<u>(17,735)</u>
Total expenditures	<u>-</u>	<u>41,850</u>	<u>59,585</u>	<u>(17,735)</u>
NET CHANGE IN FUND BALANCES	-	-	24,365	24,365
FUND BALANCES - BEGINNING	<u>62,448</u>	<u>62,448</u>	<u>62,448</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 62,448</u>	<u>\$ 62,448</u>	<u>\$ 86,813</u>	<u>\$ 24,365</u>

SUPPLEMENTARY INFORMATION

Township of Yankee Springs

COMBINING BALANCE SHEET - Nonmajor governmental funds

June 30, 2007

	<u>Special revenue</u>		<i>Total</i>
	<u>Liquor</u>	<u>Park Land</u>	<i>nonmajor</i>
	<u>License</u>	<u>Development</u>	<u>governmental</u>
			<u>funds</u>
ASSETS			
Cash	\$ 1,254	\$ 58,089	\$ 59,343
FUND BALANCES	\$ 1,254	\$ 58,089	\$ 59,343

Township of Yankee Springs**COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES - Nonmajor governmental funds***Year ended June 30, 2007*

	Special revenue		Total nonmajor governmental funds
	<u>Liquor License</u>	<u>Park Land Development</u>	
REVENUES			
State grants	\$ -	\$ 27,000	27,000
Licenses and permits	1,769	-	1,769
Other	-	2,000	2,000
	<u>1,769</u>	<u>29,000</u>	<u>30,769</u>
Total revenues	<u>1,769</u>	<u>29,000</u>	<u>30,769</u>
EXPENDITURES			
Public safety	1,781	-	1,781
Recreation and culture	-	7,910	7,910
	<u>1,781</u>	<u>7,910</u>	<u>9,691</u>
Total expenditures	<u>1,781</u>	<u>7,910</u>	<u>9,691</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(12)	21,090	21,078
OTHER FINANCING SOURCES			
Transfer in - General Fund	-	34,000	34,000
NET CHANGE IN FUND BALANCES	(12)	55,090	55,078
FUND BALANCES - BEGINNING	<u>1,266</u>	<u>2,999</u>	<u>4,265</u>
FUND BALANCES - ENDING	<u>\$ 1,254</u>	<u>\$ 58,089</u>	<u>\$ 59,343</u>

**Members of the Township Board
Township of Yankee Springs, Michigan**

In planning and performing our audit of the financial statements of the Township of Yankee Springs as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Yankee Springs' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- Policies and procedures over monthly bank reconciliations were not effective because necessary adjustments to the corresponding general ledger cash accounts were not identified and recorded.
- Policies and procedures to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record receivables and payables, changes in capital assets and long-term debt, and to develop appropriate footnote disclosures were not in place. As in prior years, the Township has relied upon our firm as auditor to identify and develop material adjustments necessary to convert cash basis financial statements into full accrual financial statements and to prepare the financial statements and appropriate disclosures. This service is allowable under current auditing standards and ethical guidelines, and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an organization (on its own) lacks the ability to produce financial statements that conform to generally accepted accounting principles, or



when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. We recommend that management and those charged with governance evaluate and document their informed decision on the costs and benefits of contracting financial statement preparation services with its auditor.

This communication is intended solely for the information and use of the Board of Trustees of the Township of Yankee Springs and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.

November 7, 2007